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CONSUMPTION OF GROCERIES AND RATIONING

1. INTRODUCTORY

All the main rationed foods except bread and meat are sold by grocery shops; the trend of consumption reflected in the sales of these shops can therefore be taken as a serviceable gauge for assessing the general trend of food consumption. We have at our disposal comprehensive data of the turnover of a large number of urban grocery shops serving the needs of nearly two million people. A sample of such a magnitude can be assumed to represent fairly reliably the average purchases of foods from this type of shops. Our first sample of this kind was supplied in 1940, and we have since been able to present one survey every year. This present paper considers the sales of groceries in 1946.

2. SOME DEFINITIONS

Before entering into a discussion of our material it seems advisable to define clearly a few terms to which in this article we have attached specific meanings.

MAIN CUSTOMER : A fictitious unit, obtained by dividing the total quantities sold of rationed fats, sugar and jam,¹ and cheese, by the number of ration books presented for these purchases. For all these foods this number is approximately the same, amounting, on the average, to about 1.9 millions per week. The number of persons registered with the shops of our sample for bacon is larger, while that of the persons buying their tea ration from these shops² is smaller than the number of main customers. Sometimes in this paper the main customer is styled for short 'customer' or simply 'person'.

RATION PERIOD : The four-weekly period fixed by the Ministry of Food during which a set of food coupons is valid.

YEAR : The beginning of a year is counted from the first day of the first ration period of that year. A year comprises 13 ration periods.

HALF YEAR : The first 'half' of the year is taken as consisting of seven and the second 'half' as consisting of six ration periods. This second 'half' always begins with the date on which the new ration books for the next 13 periods become valid.

¹ The registration of sugar and jam goes together, so that both these foods have to be purchased from the same shop.

² No registration is required for the purchase of tea, and no ration of tea is available for children under school age.

FATS: Specifically rationed fats only. There was occasionally a very small turnover of 'points' rationed suet, but the average quantities sold were far too small to appear in our Tables.

PROTEIN FOODS: By this we understand first-class protein foods only.

CARBOHYDRATE FOODS: Foods containing a high proportion of sugars and/or starch, besides—some of them—vegetable protein.

SUNDRIES: Under this heading are included all those foods for which no specific statements of turnover were available, the chief of which are enumerated in Table III, footnote 9.

3. SALES PER MAIN CUSTOMER

The average sales of groceries per main customer per week in 1945 and 1946, are given in Table I. The actual figures of turnover of bacon by the shops of our sample have been adjusted so as to allow for 10 per cent wastage¹ and, further, to take account of the fact that for this food the number of persons registered with the shops of our sample is, on the whole, about 10 per cent larger than the number of main customers, as defined above. Otherwise, all the data of purchases shown in Table I represent the total sales of the shops divided by the numbers of main customers. This underestimates the consumption of tea by about 25 per cent. No correction, however, has been made for this, since it could not have been done with a satisfactory degree of precision.

Not all the shops of our sample dealt in cooked meat, sausages, poultry and rabbits, and cake; yet the figures in Table I referring to these items are probably fairly correct averages of turnover for grocery shops in general. Obviously, additional meat products were obtained from butchers' shops, and additional flour and flour confectionery from bakers' and confectioners'. Thus, the purchases of these foods per main customer from grocery shops do not represent the full average consumption per person. We shall revert to this point further below.

A comparison of the data in Table I shows that of the four half-yearly periods surveyed, consumption of the main groceries—which, at present, is essentially regulated by their supply—was highest during the initial period, *i.e.*, the first half of 1945. After that, the sales per main customer of a number of these foods fell off, although consumption of sugar increased somewhat in 1946, as compared with that in 1945. More flour, too, was bought on the average in the first half of 1946 than in 1945, first, because after the official announcement in February of an increase in the percentage of grain extraction, many housewives were anxious to secure the largest possible share of the whiter flour still available, and later, because people were laying in stocks of flour in anticipation of the rationing of bread and flour.

A slight upward trend is evident in the average figures of some of the prices in Table I. It may have little significance as regards the price of the combined group of poultry and rabbits, which obviously depends largely on

¹ Some of this may be sold very cheap as unrationed 'scraps'.

TABLE I

Purchases of Groceries per Main Customer per Week

	Jan. 8-July. 22, 1945		July. 23, 1945- Jan. 6, 1946		Jan. 7-July. 21, 1946		July. 22, 1946- Jan. 5, 1947	
	Qty. ¹	Price ² d.	Qty. ¹	Price ² d.	Qty. ¹	Price ² d.	Qty. ¹	Price ² d.
(a) <i>Fats</i> :								
Butter ...	2.0	20	2.4	20	2.7	20	2.6	18
Margarine ...	3.5	9	3.4	9	2.9	9	3.0	9
Cooking Fats ...	1.4	9	1.1	9	1.0	9	0.9	9
(b) <i>Protein Foods</i> :								
Bacon ...	3.5	23½	3.0	23½	3.0	24	3.0	24
Cooked Meat ...	1.5	23½	1.0	20	0.6	20	0.9	25
Sausages ...	1.9	14½	1.4	13½	1.7	12½	2.2	12½
Poultry and Rabbits	0.1	20	0.1	21½	0.1	22½	0.3	32½
Eggs, shell ...	0.9	2	0.5	2	1.1	2	0.5	2
Eggs, dried ...	1.0	1½	1.1	1½	0.5	1½	0.7	1½
Cheese ...	2.5 ³	13	2.5 ³	13	2.8 ³	13	2.4 ³	13½
(c) <i>Carbohydrate Foods</i> :								
Sugar ...	9.3	4	9.3	4	9.8	4	10.9	4
Jam ⁴ ...	2.3	12½	2.2	12½	2.5	12½	2.2	13½
Cake ...	1.6	15	1.5	15½	1.5	16½	1.5	17½
Biscuits ...	2.0	12½	2.0	12½	2.1	13	1.8	14½
Flour ...	3.9	3	3.8	3	5.3	3	2.4	3
(d) <i>Tea</i> : ...	1.3	42½	1.6	42½	1.6	42½	1.7	42½

¹ Expressed in *ounces*, except for eggs (in shell and dried), which are given in *numbers*.² Eggs in shell and dried, per egg; all other foods, per lb.³ Including all special rations.⁴ Excluding tinned marmalade and jam, rationed on points.

the proportions in this group of these two different kinds of meat : poultry is dear and rabbits are cheap. For dried eggs, jam, cake, and biscuits, the upward shift indicates the true trend of the prices of these foods.

The intermediate decline in the average price of cooked meat, in the second half of 1945 and the first half of 1946, occurred during periods of exceptional meat shortages, when the cooked meat on sale consisted to a considerable extent of nutritionally low grade meats, such as galantines and the so-called 'luncheon meat', which are fairly cheap and unrationed.

From May 27th, 1946, the price of butter was reduced by twopence a pound. This was the only genuine decline in price of the foods enumerated in Table I, for the downward movement in the price of sausages does not reflect an actual lowering of the cost but indicates relatively increased sales of beef sausages, which are cheaper than pork sausages.

The outlay in 1945 and 1946, per main customer per week, on the foods enumerated in Table I and on 'sundries'—non-specified groceries—will be found in Table II. The rise in the expenditure on 'sundries' springs to the eye, in particular the sharp upward movement from the first to the second half of 1946. How much of this increased expenditure was caused by increases in the number of 'points' available per person per week since the introduction of bread rationing, and how much of it resulted from other causes, is impossible to say. All the 'points' rationed foods except cooked meat sold by weight, dried eggs, and biscuits, are, in fact, included under 'sundries'; yet the 'points' values of the several foods have changed

frequently, which, in its turn, affected the 'purchasing power' of the 'points' at the housewives' disposal. Part of the higher outlay on 'sundries' may reflect rises in prices, most of it, perhaps, the greater quantity and variety of—usually rather expensive—fancy foods that gradually appeared on the market in 1946.

TABLE II
Weekly Expenditure on Various Types of Groceries

	Per Main Customer							
	1945				1946			
	1st Half		2nd Half		1st Half		2nd Half	
	s.	d.	s.	d.	s.	d.	s.	d.
(a) Fats		5½		5½		5½		5½
(b) Protein Foods ¹	1	3	1	0	1	0½	1	1½
(c) Carbohydrate Foods		7¾		7¾		8¾		8¾
(d) Tea		3½		4½		4½		4½
(e) Sundries ²	1	1	1	2½	1	3½	1	6½
Total (a)–(e)	3	8½	3	7¾	3	10¾	4	2½

¹ Including evaporated and condensed milk, but excluding dried household milk, which is included under 'Sundries'.

² For the foods in this group see Table III, footnote 9.

4. CONSUMPTION PER MAIN CUSTOMER AND FAMILY CONSUMPTION

It is interesting to compare the grocery sales per main customer with the purchases of groceries as stated in actual household accounts. In June and July, 1946, we collected household accounts from 151 families, comprising 727 persons, 114 of which were under school age. There were therefore in every 4 families—each consisting on the average of 4.8 persons—3 children who had no allowance of tea. Approximately one of these children was under 2 years of age and therefore entitled to a priority allowance of 3 shell eggs per week. In Table III we show the average weekly consumption of groceries by these families, alongside of the data of weekly grocery sales per main customer during the ration period stretching from the last week in June to the third week in July.

For most of the foods both sets of data correspond fairly closely. In fact, in two instances there existed a greater actual discrepancy than is suggested by the figures in Table III, *viz.*, as regards the purchases and the consumption of both flour and tea. The tea ration amounted, respectively, to 2 ounces and 3 ounces per person per week, in alternate ration periods, and for the period considered in Table III the allowance was 3 ounces. Our 151 household accounts, however, were obtained only partly during the period when the ration was 3 ounces and partly—in fact, a slightly higher proportion of them—during one of the adjacent periods, when the ration amounted to 2 ounces.

The purchases of flour from the grocery shops were inflated during June and July owing to the expectation of bread and flour rationing, which began on July 22nd; the steep upward movement, as compared with the purchases during the preceding months, stands out clearly in the figures of Table VIII. Yet very few of the families that supplied household accounts to us seemed to have bought substantially more than their normal requirements of flour,

mainly, perhaps, because a large proportion of these families included young children, who have generous allowances of rationed foods, and the housewives expected that their family rations of bread and flour would cover their requirements. Since part of the flour bought by these housewives came from bakers' shops, the sales by the grocery shops per main customer, as given in Table III, were very considerably higher than the purchases of flour from grocery shops by these housewives.

TABLE III
Purchases of Groceries in June-July, 1946

Grocery Sales, 24.vi—21.vii Per Main Customer						151 Household Accounts Per Person					
		Quantity	Price ¹		Outlay			Quantity	Price ¹		Outlay
			s.	d.	s. d.				s.	d.	s. d.
(a) Fats :											
Butter	...	2.8 oz.	1	6½	5½			2.8 oz.	1	6½	5½
Margarine	...	2.9 oz.		9	3½			3.2 oz.		9	3½
Cooking Fats	...	0.9 oz.		9	1½			1.0 oz.		9	1½
											¾
(b) Protein Foods :											
Bacon	...	3.0 oz.	2	—	1 0½			2.9 oz.	2	2½	1 2½
Cooked Meat	...	0.8 oz.	1	8	4½			0.9 oz. ²	1	10½	4½
Sausages	...	1.9 oz.	1	0½	1½			3.0 oz.	1	2½	1½
Poultry and Rabbits	...	0.1 oz.	1	11	—			— ³	—	—	2½
Eggs, shell	...	0.9 egg		2	1½			0.9 egg ⁴		2	0½
Eggs, dried	...	0.7 egg		7½	1			0.6 egg		7½	1
Cheese ⁵	...	2.4 oz.	1	1	2			2.1 oz.	1	1	1½
Tinned Milk ⁶	...	—	—	—	1			—	—	—	0½
(c) Carbohydrate Foods :											
Sugar	...	12.1 oz.		4	9½			10.3 oz.		4	1 3½
Jam ⁷	...	2.4 oz.	1	0½	3			3.8 oz.	1	1½	2½
Cake	...	1.4 oz.	1	4½	2			6.6 oz. ⁸	1	2½	3½
Biscuits	...	2.2 oz.	1	1½	1½			1.9 oz.	1	2½	6½ ⁸
Flour	...	8.3 oz.		3	1½			7.4 oz.		3½	1½
(d) Tea :											
		1.9 oz.	3	6½	5			2.0 oz.	3	1½	4½
(e) Sundries⁹ :											
		—	—	—	1 5½			—	—	—	1 4½
Total (a)—(e) :											
					4 2½						4 8½

¹ Eggs in shell and dried, per egg; all other prices, per lb.

² 0.4 oz. high grade, at an average price of 2s. 8½d. per lb, and 0.5 low grade, at 1s. 2d. per lb.

³ No precise weight available.

⁴ Bought eggs only.

⁵ Including all special rations.

⁶ Excluding Household milk, which is included under 'Sundries'.

⁷ Grocery Sales *excluding*, Household Accounts *including*, tinned jam and marmalade, rationed on 'points'.

⁸ Including buns.

⁹ Including tinned foods, dried legumes, dried fruit, cereals, syrup, honey, cocoa, fancy foods, and condiments; under Grocery Sales also fruit squashes and small amounts of cucumber, tomatoes, and other salad vegetables.

The figures obtained from the two samples for the sales and purchases of sausages and of cake differ substantially, for the reasons already referred to. It seems likely that at least half as much of sausages and sausage meat are bought from butchers' shops as are from grocers', while buns—included in the 151 household accounts under 'cake'—were not sold at all by the shops of our sample. The data for jam derived from the household accounts include

all jam and marmalade, whether specifically rationed in connexion with sugar, or rationed on 'points', while for the grocery sales these latter kinds are included under 'sundries'. The grocery sales, however, occurred in a ration period when there was an extra allowance of sugar of 4 ounces per ration book per week, while some of the household accounts were completed before this allowance was available. The purchases by the 151 families of eggs in shell were supplemented by eggs from own hens, these latter amounting to approximately 0.4 egg for every shell egg bought. This is probably a much higher proportion of home-produced eggs than prevailed in general for urban families.

The same consumption of butter—on the average 2.8 ounces of a ration of 3 ounces—appeared for both groups in Table III, but the average sales of margarine and also of cooking fat were less than the corresponding purchases of these foods by the families that supplied the household accounts. The reason for this seems to be that people who have no proper cooking facilities cannot always utilize their full rations of margarine and cooking fat, while housewives with families tend to purchase the full amounts allowed to them, but sometimes replace part of their butter ration by margarine.

5. RATIONING AND CONSUMPTION

In Tables IV to VIII is surveyed the consumption of the main rationed foods except bacon and tea. The purchases of tea from the shops of our sample amounted throughout the year to about 1.4 ounces per main customer when the weekly ration was 2 ounces, and to about 1.9 ounces when the ration was 3 ounces.¹ This suggests a decline in demand by about 10 per cent for the larger ration. During the whole of 1946 the ration of bacon amounted to 3 ounces per person per week, and all the customers seem to have bought their full share.

Our analysis of the sales of rationed fats reveals a distinct pattern of demand within the framework set by the rationing scheme (Table IV). The

TABLE IV
Purchases of Butter, Margarine, and Cooking Fats, per Person per Week

			Rations			Bought		
			Butter*	Marg.	Cooking Fats	Butter	Marg.	Cooking Fats
From	Till		oz.	oz.	oz.	oz.	oz.	oz.
7 Jan. 1946	3 March 1946		3	3	2	2.7	2.9	1.7
4 March 1946	13 Oct. 1946		3	3	1	2.8	2.9	0.9
14 Oct. 1946	8 Dec. 1946		2	4	1	2.0	3.5	0.9
9 Dec. 1946	5 Jan. 1947		3	3	1	2.8	2.8	0.9

* During all the periods the butter ration could be exchanged for an equal amount of margarine

limitations imposed upon demand by rationing are bound to make this pattern lopsided, since differences between supply and demand become evident only in so far as individual demand falls short of the potential supply to the

¹ Allowing for the proportion in the total population of children under school age, who do not receive a tea ration, the possible maximum consumption per person would be approximately 1.97 ounces when the ration is 2 ounces, and 2.95 ounces when the ration is 3 ounces.

individual, which latter is fixed by the ration; no one can buy more than this. The full ration of butter was bought by every customer when the allowance was 2 ounces per person per week, but when the ration was raised to an average of 3 ounces per week¹ less than this was purchased on some ration books.

The sales of cheese as set out in Table V include all special rations.²

TABLE V
Purchases of Cheese, per Person per Week

From		Till		Ordinary Ration	Bought*
				oz.	oz.
7 Jan.	1946	26 May	1946	3	3.0
27 May	1946	5 Jan.	1947	2	2.4

* Including all special rations for vegetarians and heavy workers.

There appears, therefore, to have been some 'underconsumption' when the ration was 3 ounces, but the full rations seem to have been taken up when the ordinary ration was reduced to 2 ounces. The slight rise in the cost per pound from the first half to the second half of 1946, evident in the figures in Table I, suggests that some more expensive cheese—rationed on 'points'—is included in the figures for the last 6 ration periods, since the maximum retail price for all specifically rationed cheese was 1s. 1d. a pound. This more expensive cheese, however, can represent only a very small proportion of the total, and the 'surplus' of 0.4 ounce over the ordinary ration of 2 ounces must derive mainly from the special rations, although some of it might also indicate a slightly more generous margin in the weighing out of the rations for very small families and single persons, after the individual ration had been reduced from 3 ounces to 2 ounces.

During the whole of 1946, the jam ration could be exchanged for sugar, and, as can be seen from the data in Table VI, some use was made of this

TABLE VI
Purchases of Sugar and Jam, per Person per Week

From		Till		Rations			Bought	
				Sugar	Jam or (Sugar)		Sugar	Jam
				oz.	oz.	oz.	oz.	oz.
7 Jan.	1946	28 April	1946	8	4	(4)	9.0	2.1
29 April	1946	26 May	1946	12	4	(4)	11.8	2.3
27 May	1946	23 June	1946	8	8	(4)	9.0	4.2
24 June	1946	18 Aug.	1946	12	4	(4)	12.1	2.4
19 Aug.	1946	15 Sept.	1946	8	4	(4)	9.7	2.2
16 Sept.	1946	13 Oct.	1946	12	4	(4)	12.0	2.3
14 Oct.	1946	8 Dec.	1946	8	4	(4)	9.2	2.1
9 Dec.	1946	5 Jan.	1947	14	4	(4)	12.9	2.3

permission. However, as the combined figures of the average sales of sugar and jam show, some people—probably mostly those with no household of their own—apparently simply forwent part or the whole of their jam allowance. Only during the height of the fruit season, from August 19th to Septem-

¹ In alternate weeks, 2 ounces and 4 ounces respectively.

² For heavy workers and vegetarians, amounting to 12 ounces per person per week, in lieu of the ordinary cheese ration.

ber 15th—during which period no special allowance of sugar was available—was consumption approximately the same as the combined ration of sugar and jam, *viz.*, 11.9 ounces out of 12 ounces.

In Table VII are considered the sales of eggs in shell in relation to the sales of dried eggs. The last specific ration of dried eggs, amounting to 1.5

TABLE VII
Purchases of Eggs in Shell and Dried Eggs, per Person per Week

		Shell Eggs		Dried Eggs	
From	Till	Nos.*	Nos.†		
7 Jan. 1946	3 Feb. 1946	0.6	1.9	last ration issue	
4 Feb. 1946	3 Mar. 1946	0.7	0.7	} sold from stocks	
4 Mar. 1946	26 May 1946	1.4	0.1		
27 May 1946	23 June 1946	1.2	—		
24 June 1946	21 July 1946	0.9	0.7	} 8 'points' for packet of 12 eggs	
22 July 1946	18 Aug. 1946	0.6	0.5		
19 Aug. 1946	8 Dec. 1946	0.5	0.8		
9 Dec. 1946	5 Jan. 1947	0.5	0.8	10 'points' per packet.	

* Including 3 'priority' eggs per week for children under 2 years old, expectant mothers, and certain invalids.

† Equivalent.—Including priority allocations: during the period Jan. 7 to Feb. 3, 3 dried eggs, instead of 1½ dried eggs per ordinary consumer, and from June 24, 1½ egg per week free of 'points'. The priority allowance was available to all children up to the age of 5 years, and to expectant mothers.

eggs per ordinary ration book per week, was available during the period ending on February 3rd, 1946. The Government had made it known that imports of egg powder would temporarily be suspended, and the purchase of 1.9 eggs per customer per week indicates that during this last period everyone bought his full allowance. Dried eggs are sold in packets containing the equivalent of 12 eggs in shell, and one packet per ordinary ration book represented the ration for the eight weeks covering the 13th ration period of 1945 and the 1st period of 1946. The weekly sales during the 13th period had averaged 1.2 dried eggs per customer, so that for the eight weeks each customer had bought on the average 12.4 eggs, as compared with the ordinary ration of 12 eggs. The difference between purchases and ordinary ration cannot be fully explained by 'priority' consumption.¹ However, people who kept hens and therefore had no allowance of eggs in shell were yet entitled to a ration of dried eggs. Also, shops that had large stocks of powdered egg possibly sold to some of their customers more than the bare ration. Our data in Table VII suggest that the grocers' stocks of dried eggs were exhausted by the end of May. From June 24th, 1946, dried eggs were rationed on 'points'.

The rationing of bread and flour started after the third week in July, 1946. In 1945 the purchases of flour from grocery shops had fluctuated during the thirteen ration periods between 3½ ounces and 4 ounces per customer per week. For the first ration period of 1946, the average sales of flour lay within that range. Then the picture changed. In Table VIII we have averaged the data of sales for periods during which the weekly sales per

¹ Two packets of dried eggs instead of one packet, allowed to children under school age and expectant mothers.

customer showed little difference. The largest variations occurred between March 4th and May 26th, when the lowest weekly average was 4 ounces and the highest 4.3 ounces, and between August 19th and October 13th, when the lowest average was 2 ounces and the highest 2.4 ounces.

TABLE VIII
Purchases of Flour, per Person per Week

From	Till	oz.
7 $\frac{1}{2}$ Jan. 1946	3 Feb. 1946	3.9
4 $\frac{1}{2}$ Feb. 1946	3 Mar. 1946	7.0
4 $\frac{1}{2}$ Mar. 1946	26 May 1946	4.2
27 May 1946	23 June 1946	5.4
24 June 1946	21 July 1946	8.3
22 July 1946	18 Aug. 1946	1.3 ¹
19 Aug. 1946	13 Oct. 1946	2.2
14 Oct. 1946	8 Dec. 1946	2.7
9 Dec. 1946	5 Jan. 1947	3.3

¹ First period of rationing of bread and flour.

The reasons for the relatively large purchases of flour in February and June/July have already been stated. With the introduction of bread and flour rationing the purchases of flour declined steeply. The very small turn-over of 1.3 ounces per customer per week during the first period of bread rationing obviously reflects the degree of 'saturation' attained through the large purchases during the preceding period. In the two subsequent periods the purchases rose to about 2 $\frac{1}{4}$ ounces per person per week. During the next two periods they advanced to 2 $\frac{3}{4}$ ounces, and for the last period of the year they amounted to over 3 $\frac{1}{4}$ ounces, *i.e.*, to about 85 per cent of the average purchases in 1945.

It seems unlikely that these gradual increases only reflect the seasonal increase in the demand for flour during the weeks before Christmas, for a glance at Table IX informs us that, from the middle of October, the increased

TABLE IX
Allowance of 'Points' and Outlay on Sundries

Ration Period	Per main Customer per Week 'Points'	Sundries Outlay	Ration Period	Per Main Customer per Week 'Points'	Sundries Outlay
		s. d.			s. d.
1	5	1 1 $\frac{1}{2}$	8	8	1 5 $\frac{1}{2}$
2	5	1 2	9	8	1 6 $\frac{1}{2}$
3	6	1 3 $\frac{1}{2}$	10	8	1 6 $\frac{1}{2}$
4	6	1 3 $\frac{1}{4}$	11	8 ²	1 5 $\frac{1}{4}$
5	6	1 4	12	8	1 7 $\frac{1}{4}$
6	6	1 4 $\frac{1}{4}$	13	8 ³	1 8 $\frac{1}{2}$
7	8 ¹	1 5 $\frac{1}{2}$			

¹ 1 B.U.=1 Point; 1 Point=1 B.U.

² 1 B.U.= $\frac{1}{2}$ Point; 1 Point=1 B.U.

³ B.U.s no longer exchangeable; 1 Point=1 B.U.

purchases of flour coincided with alterations in the exchangeability of 'bread units' into 'points'. From the introduction of bread and flour rationing until the end of the 10th ration period, 8 'B.U.s', or multiples of them, could be exchanged for an equal number of 'points'. During the two following

periods, 8 'B.U.s' would yield only 4 'points', and from the beginning of the last ration period of the year, 'B.U.s' could no longer be exchanged at all. These alterations must have represented some inducement to housewives to obtain flour with their 'B.U.s' if they did not require all of them for the purchase of bread and cake.

The figures of outlay on 'sundries' in Table IX suggest some connexion between the outlay on this food group and the number of 'points' available per person. This is as one would have expected it to be, since the 'sundries' group includes many foods rationed on 'points'. But, as has already been mentioned, there occurred fairly frequent changes in the 'points' values of individual foods, so that the number of 'points' available per person represents no stable gauge for assessing the magnitude of the average purchases of foods rationed on 'points'. Moreover, when the rationing of bread and flour started, the range of 'points' rationed foods was widened so as to cover many cereal foods previously unrationed. It seems, in fact, that a number of causes combined in bringing about the gradual increase in the outlay on grocery 'sundries'; there were, on the one hand, somewhat increased supplies of certain foods, partly rationed on 'points' and partly unrationed—these latter often fairly expensive fancy foods—while on the other hand there occurred rises in the prices of various foods in this group.¹

6. NUTRITIONAL INTAKE FROM GROCERIES IN 1935, 1945, AND 1946

The figures of average purchases of rationed groceries in Tables IV to VII show that not all the rations available were taken up in full. As has already been pointed out in the previous section, with rationing in force figures of average consumption are no longer a measurement of the average demand, since although people can buy less than their ration, no one can buy more than this. Hence unless it were possible to equate precisely each individual ration to each individual's need, apparent underconsumption of a particular commodity, as expressed in the ratio of the average consumption per person to the ration allowed per person, can by no means be taken to suggest that the ration is generous in comparison with individual requirements. Obviously, the 'underconsumption' suggested by the data in Tables IV to VII is, in this respect, grossly misleading. A brief survey of the figures in Table X leaves no doubt about this. We have there compared the rations of groceries available to the ordinary adult in the second half of 1946 with the consumption per person of the same foods as calculated by Sir John Boyd Orr in 1935.² It will be seen that even for the lowest income group the average consumption of these foods was in most instances considerably higher than

¹ A few of such increases are shown in Table I of my paper on 'Rationing and Nutrition', BULLETIN, Vol. 8, No. 12.

² Cf. *Food, Health and Income*, Appendix VI, Table II. These figures are based on a sample of 1,152 household accounts collected between 1932 and 1935. They differ slightly from the data obtained from the actual sample, first, because they are smoothed out so as to yield a continuous curve for the purchases throughout the different income ranges, and, secondly, because in the higher income groups adjustments were necessary so as to allow for the

TABLE X
Consumption of Certain Groceries in 1935¹ and 1946

		Expenditure on Food per Head per Week				Adult Ration of 1946
		4s.	6s.	14s.	9s.	
		(Lowest Income Groups)		(Highest Income Group)	(Average)	
		Consumption per Head per Week				
Butter	...	3.0 oz.	6.5 oz.	11.0 oz.	7.8 oz.	3 oz.
Margarine	...	4.5 oz.	3.5 oz.	1.3 oz.	2.5 oz.	3 oz.
Cooking Fat	...	2.7 oz.	3.6 oz.	3.5 oz.	3.9 oz.	1 oz.
Bacon and Ham	...	4.3 oz.	6.3 oz.	9.4 oz.	7.0 oz.	3 oz.
Eggs	...	1.5 eggs	2.4 eggs	4.5 eggs	2.9 eggs	1½ eggs ²
Cheese	...	1.8 oz.	2.5 oz.	2.6 oz.	3.0 oz.	2 oz.
Sugar	...	13.5 oz.	16.0 oz.	19.5 oz.	17.8 oz.	11 oz. ³
Jam and Syrup	...	4.3 oz.	5.3 oz.	5.5 oz.	5.2 oz.	3 oz. ^{3,4}
Tea	...	2.2 oz.	2.7 oz.	2.7 oz.	2.8 oz.	2½ oz.
Calories	...	4,840	6,300	7,640	6,790	3,590
Protein	...	36½ gm.	54 gm.	78 gm.	63 gm.	32 gm.
Proportion of Population		10%	20%	10%	100%	—
Structure :						
Persons over 14		51%	65%	87½%	76½%	—
Children	...	49%	35%	12½%	23½%	—

¹ Cf. John Boyd Orr, *Food, Health, and Income* (1936), Appendix VI, Table II.

² Interpolated from our data of grocery sales: approximately 0.6 egg in shell and 0.7 dried egg.

³ Approximately, allowance being made for special sugar rations and, also, for the exchange of part of the jam ration for sugar. Possibly another ½ ounce of jam and syrup may have been obtained on the average on 'points'.

⁴ Jam only.

was the ration for an ordinary adult in 1946. Moreover, the intake of food per adult in 1935 was, of course, larger than the intake per head; this additional margin must of necessity have been the wider the greater was the proportion of young children in the respective income group, since these children would receive—and require—less than an average share. There are, at present, some people whose share in the general supply of national foods is much more than an ordinary ration, *e.g.*, all those who have a considerable number of their main meals out, or people living in families with young children who do not need their full rations, so that part of these children's allowance of rationed foods is consumed by the older members of the family. As regards all other adults, their rations of the main groceries available in 1946, fell certainly considerably short of what would have been their average demand for these foods, could they have bought them freely.

In Table XI we are showing the amounts of calories and protein obtained, per main customer per week, from the foods in groups (a), (b), and (c), of Tables I and XI. The figures are the lowest for the second half of 1946, except those for animal protein, which already had come down to 45 grams in the second half of 1945. However, since the outlay on 'sundries' rose consumption of meals away from home. Also, some corrections were made by Sir J. B. Orr for seasonal fluctuations in consumption. As regards the consumption of groceries the main differences for the two sets of figures obtain for bacon and eggs, the uncorrected figures being lower than the corrected ones in the case of bacon, while the opposite holds good in the case of eggs. The figures for sugar refer only to sugar bought as such, and exclude the sugar consumed in manufactured foods, *e.g.*, in cakes and biscuits.

from the first half of 1945 to the second half of 1946 by over 42 per cent, it seems reasonable to assume that there was also some increase in the intake of nutrients from this group.

TABLE XI
Nutritional Values and Expenditure

	Calories	Indices of Protein (1st Half of 1945=100)	Outlay	Calories	% of Total Protein	Outlay																					
<i>(a) Fats:</i>																											
1945 { 1st Half	100	—	100	33.9	0.3	19.3																					
{ 2nd Half	99	—	104	34.9	0.3	22.2																					
1946 { 1st Half	95	—	106	31.9	0.4	21.4																					
{ 2nd Half	93	—	98	33.3	0.5	20.0																					
<i>(b) Protein Foods¹:</i>																											
1945 { 1st Half	100	100	100	22.9	71.4	52.0																					
{ 2nd Half	87	87	80	20.7	69.1	46.4																					
1946 { 1st Half	90	90	83	20.5	64.6	45.4																					
{ 2nd Half	88	86	87	21.4	74.7	47.7																					
<i>(c) Carbohydrate Foods:</i>																											
1945 { 1st Half	100	100	100	43.2	28.3	28.7																					
{ 2nd Half	99	97	99	44.4	30.6	31.4																					
1946 { 1st Half	111	123	110	47.6	35.0	33.2																					
{ 2nd Half	99	72	106	45.3	24.8	32.3																					
<i>Total (a)—(c):</i>																											
1945 { 1st Half	100	100	100	100.0	100.0	100.0																					
{ 2nd Half	96	90	90	100.0	100.0	100.0																					
1946 { 1st Half	100	100	95	100.0	100.0	100.0																					
{ 2nd Half	95	83	95	100.0	100.0	100.0																					
<table> <tr> <th colspan="2"><i>Nutritional Values</i></th><th><i>Bought per</i></th><th><i>Main Customer</i></th><th><i>per Week</i></th><th colspan="2"></th></tr> <tr> <th></th><th></th><th><i>Calories</i></th><th><i>Total</i></th><th><i>Protein (gm.)</i></th><th><i>Animal²</i></th><th><i>Outlay</i></th></tr> <tr> <th></th><th></th><th></th><th></th><th></th><th></th><th><i>s. d.</i></th></tr> </table>							<i>Nutritional Values</i>		<i>Bought per</i>	<i>Main Customer</i>	<i>per Week</i>					<i>Calories</i>	<i>Total</i>	<i>Protein (gm.)</i>	<i>Animal²</i>	<i>Outlay</i>							<i>s. d.</i>
<i>Nutritional Values</i>		<i>Bought per</i>	<i>Main Customer</i>	<i>per Week</i>																							
		<i>Calories</i>	<i>Total</i>	<i>Protein (gm.)</i>	<i>Animal²</i>	<i>Outlay</i>																					
						<i>s. d.</i>																					
<i>Total (a)—(c):</i>																											
1945 { 1st Half		4,540	73	52	2	3½																					
{ 2nd Half		4,360	66	45	2	0½																					
1946 { 1st Half		4,560	73	47	2	2½																					
{ 2nd Half		4,290	61	45	2	2																					

¹ Excluding all tinned milk.

² Derived from the foods in group (b).

Above these absolute figures we are giving in the upper section of Table XI indices of the calorie and protein values obtained from the foods in the three main groups, compared with the corresponding indices of outlay. In all instances the figures for the first half of 1945 have been taken as the base. The variations in the purchases of flour, discussed in a previous section, account for the variations in the indices of protein values of group (c), and, to a smaller extent, for the variation in the indices of calories. The decline in calories due to the decline in the purchases of flour was partly offset by the increase in the purchases of sugar.

The last three columns of Table XI show the proportions of calories and proteins obtained from the three main food groups, and the relative outlay on these groups, for the four half years of 1945 and 1946.

7. CONCLUSION

The average consumption of groceries in 1946, as compared with that in 1945, showed a for number of foods a decline. If, however, instead of taking

average consumption for the whole of 1945 we only consider the figures referring to the second half of that year, the differences between these and the data for 1946 are, on the whole, negligible. Expenditure on the foods in the 'sundries' group, which group includes most of the foods rationed on 'points', went up gradually, from 1s. 1½d. per person per week during the first ration period in 1946 to 1s. 8½d. in the 13th period of that year. Although some of the additional outlay was certainly absorbed by rises in prices, and some by purchases of more expensive but not necessarily more nutritious foods, part of it must have gone to buy additional nutrients. Hence the decline in the total nutritional values evident for the three main groups of groceries from the first half of 1945 to the second half of 1946, may be assumed to have been partly offset by means of increased purchases of foods in the 'sundries' group, at least as regards calories and second-class protein. Whether these purchases also procured increasing supplies of first-class protein may be open to doubt, since there was a general shortage of first-class protein foods.

Not all the rations of groceries were taken up in full. This, while it is irrefutable evidence of the fact that not everybody could utilize all the food to which his rations entitled him, provides no indication that for the average adult the rations were generous. Indeed, a comparison with the consumption of groceries in 1935 shows that before the war even the families in the lowest income group bought, on the whole, more of these foods per adult than they could obtain in 1945 or 1946.

T. SCHULZ.

THE IMPLICATIONS OF THE MARSHALL SPEECH¹

Mr. Marshall's speech at Harvard is an important development which alters the perspective of the international economic problem. It would be a mistake to regard it as an offer, even as a contingent offer. It was perhaps more in the nature of a kite. Its reception in the United States was not particularly promising at first, though its popularity seems to have increased since the Paris episode of the Russian withdrawal. But it does at least open out the possibility that American credits may be made available, and perhaps on a large scale, for the recovery of Europe, on condition that the countries of Europe take some effective steps themselves to pool their resources and help one another. Moreover, the suggestion carries implications which are important and in my view encouraging.

Perhaps the most encouraging feature of the speech is that it rests on a diagnosis of the international economic problem which is essentially true. This is a refreshing change from the essentially false diagnosis which inspired Article 7 of the Mutual Aid Agreement and the long-drawn attempt which has followed and which still continues at Geneva to frame a code of international commercial policy on the principle of non-discrimination.

Mr. Marshall's diagnosis is in effect as follows :—

(1) That there is a world dollar problem; not a special problem of Great Britain or any other country, but a world problem of a shortage of dollars.

(2) That this in its present phase is a problem not of marketing but of production; that is to say, of inadequate production outside the American Continent, and especially in Europe.

(3) That the unsatisfactory level of European production is partly due to the fact that particular European countries cannot now get in sufficient quantities supplies which they used to get, and might reasonably expect to get, from other European countries. Hence the stipulation that if the United States is to give further financial aid to enable Europe to obtain American supplies, European countries must do something to help each other.

The Fear of a Dollar Shortage.

It will be useful to examine in turn each of these three elements in the diagnosis. As to the first, it is manifest to-day that, in the absence of some new arrangement, many countries besides ourselves, will soon find it difficult to pay for their imports from the United States. Policy is already being influenced by this prospect in several countries. In the words of Mr. Herbert Morrison, 'men in Stockholm and Buenos Aires, like men in London, are sitting down to think what their countries can do without.' Among other restrictions, Argentina is apparently to cut her imports of Scotch whisky, though Argentina has of course large sterling balances and a favourable balance of payments with Great Britain. Here we may observe one of the consequences of the obligation we assumed in the Anglo-American Loan

¹ This article contains the substance of a speech delivered at the Nuffield College Private Conference on the External Economic Relations of the United Kingdom, held on July 5th—6th, 1947.

Agreement to make sterling convertible for all current transactions. By virtue of this arrangements, cuts in Scotch whisky or in other imports from Great Britain, constitute one of the ways in which Argentina can obtain dollars; for she can call on us to supply her with dollars to the full extent of her favourable balance with us, in order to finance her imports from the United States. Hence, I presume, the decision to reduce the importation of Scotch whisky. This decision is worth noting in view of the widespread disposition to take it for granted that the volume of international trade must necessarily be greatest in conditions of free convertibility and non-discrimination.

There is another point worth noting here. Sweden and Argentina are cutting their imports from us, in order to save or obtain dollars, although to us they are hard currency countries. We are cutting our imports from all sources for the same reason. There are many countries, especially in Europe, to whom the pound sterling is a hard currency, and some of them are short of dollars already. Yet, although the dollar shortage, actual or impending, is already exerting this restrictive influence on trade, no country has exhausted its quota with the International Monetary Fund; nor is the dollar within sight of becoming a 'scarce currency' within the meaning of Bretton Woods. I commend this fact to the attention of believers in that most curious of creeds—the saving virtue of the scarce currency clause. As we can now see, a shortage of dollars is the sort of economic phenomenon which casts its shadows before. The scarce currency clause at its best would not allow us to lock the stable until after, indeed long after, the horse had been stolen.

The Problem of European Production.

I pass to the second element of the Marshall diagnosis. For the time being, this world shortage of dollars is not due to American reluctance to accept imports in payment for exports, but to insufficient production in the non-American world, especially in Europe. There are certain things even to-day, which the United States could import in larger quantities, without causing any other country to go short, if she did not produce so much of them at home. Australia would be delighted to send her more wool; Malaya could send her more rubber; and perhaps Argentina could send her more cotton, and then buy more whisky from Scotland. But such commodities are very few to-day. For most things there are plenty of eager buyers for all the supplies which the producing countries feel able to spare for export, so that if the United States were to buy more of them, some other country would have to go short. For the time being, therefore, the huge export supplies of the United States represents not an injury but a vital service which she is rendering to the world's economy. By and large, we do not want her to import more; nor do we want her to export less. Exhortations to the Americans to realise that trade must be a two-way process, which have been to the point in the past and may be to the point in the future, seem to me singularly inappropriate just now.

Insufficient production in the outside world is the main cause of the dollar

shortage to-day; and the parts of the world in which this insufficiency is especially marked are Europe and the Far East. In Europe, moreover, or in many parts of it, the trend has recently become disquieting. Last year, production was at least mounting steadily, progress was being made, difficulties were being gradually overcome. But this year, as in Great Britain, so in France, so in the Ruhr and Western Germany, there are signs of a setback; and the outlook has become more discouraging. It is right, therefore, to treat the problem of European productivity as one of pressing importance.

What then of the third element in the Marshall diagnosis? How far is it true that this unsatisfactory productivity is due to the disruption of the normal system of intra-European trade, to the inability of some European countries to obtain accustomed supplies of necessary materials from others? In the first instance, it is worth noting that this is not true, to any important extent, or so I submit, of production in Great Britain, subject to one exception, which may almost be said to prove the rule, namely the enforced curtailment of our building activity owing to a shortage of timber and other imported materials. I call this an exception which almost proves the rule, because there is little doubt that our building programmes, taken as a whole, are over-ambitious, calculated to absorb a larger portion of our labour-power than we can afford just now to devote to work for distant ends. The timber shortage is serving to reduce these programmes to more reasonable dimensions; and though it does this in a very wasteful manner, the result should perhaps be regarded as being, on the whole, a blessing in disguise. By reducing somewhat the pressure of excess demand in our economic system, it is more likely to improve than to impair the balance of our economy.

Outside building and certain other constructional industries, production in Britain is not, I think, seriously impeded by inability to obtain supplies which we used to obtain from Europe. The European disorganization hits us of course in other ways. It helps to raise the prices of many of the materials and foodstuffs we import, whether or not we used to import them from Europe. This serves to swell our adverse balance of payments. Furthermore, we have less food to eat than we should like, though I doubt whether this can fairly be said to be a material cause of diminished output. We must look elsewhere for the explanation of our own unsatisfactory productivity.

On the Continent, on the other hand, the dislocation of normal intra-European trade is directly responsible for many industrial bottlenecks, which constitute a most serious obstacle to the recovery of production. The Marshall diagnosis is undoubtedly correct in emphasizing the importance of this factor. But what are the chief of these bottlenecks and what are the prospects of overcoming them by European mutual help? Production in France and the Low Countries is impeded by lack of coal from the Ruhr. Production in the Ruhr and Western Germany is seriously curtailed by many shortages, prominent among which is a lack of food supplies, many of which used to be obtained from the Russian zone of Germany or from other countries behind the iron curtain. Some countries cannot obtain their accustomed supplies of

coal from Silesia, which is now part of Poland. There is a further important failure of normal supplies for which we are the party responsible. Production in several countries is held up by lack of coal which they used to obtain from Great Britain. Those, I think, are the principal ways in which European production is seriously impeded by the disruption of normal intra-European exchanges, a deficiency of coal from Great Britain, a deficiency of coal and other things from the Ruhr, a deficiency of food and other things from countries behind the iron curtain.

If this summary review is correct, it leads to two somewhat disconcerting morals. First, the most important service which we could render to the restoration of European production would be to restore our coal production sufficiently to resume the export of coal. The contributions which I have no doubt we shall offer of Australian wool and Malayan rubber are a poor substitute for this.

The second moral is that the prospect of doing anything really effective to promote European production by means of improved intra-European co-operation is not promising. When the chief needs are (1) to get enough coal from the British coal mines to permit substantial exports after satisfying British demands in full, (2) to restore the productive capacity of the Ruhr, which means to touch a French complex on the raw, and (3) to obtain increased supplies for the West from the countries behind the iron curtain, it would clearly be imprudent to raise our hopes very high. If little can be done to meet these urgent concrete needs, it would be inappropriate to attempt to devise grandiose schemes for a systematic integration of the European economy. The practical question is whether what can be done under this heading, and the spirit in which it is done, will suffice to persuade American opinion that the prior condition of the Marshall proposition has been satisfied; and thus to make possible the grant of American credits for the procurement of American supplies. For the difficulties of solving the European production bottlenecks by European co-operation make American aid the more indispensable.

A Contrast in Philosophies.

Apart from the concrete measures to which the Marshall speech may lead, its implications seem to me encouraging, particularly in their bearing on a matter which may later be of the utmost consequence to ourselves, namely the application of the doctrine of non-discrimination. Mr. Marshall's insistence that European countries must take all practicable steps to adjust their trading arrangements to meet each other's needs implies a philosophy radically different from that of non-discrimination, and in the last analysis, I think, inconsistent with it. The scheme for an International Trade Organization says in effect to countries in Europe or elsewhere which may all be short of dollars :—

‘ Unless you form a complete Customs Union, it is an offence for you to buy from one another goods which you might obtain more cheaply from the

United States, even if the difference of price may be quite a small one and dependent on the particular exchange parities which have been notified to the International Monetary Fund. You are forbidden to pursue the policy of buying goods from one another at prices above American selling prices, so as to conserve your limited dollar resources for the purpose of buying from the United States goods which you cannot obtain from any other source. You must buy each commodity without regard to such considerations in the cheapest market. As for import restrictions, or quantitative import programmes, we do not like you to have recourse to such expedients at all, and you will have to satisfy us first that there is an undoubted need for them; but if you do have recourse to them, you must cut down your imports all round, from each other, though that may be a patently silly thing to do, as much as from the United States.'

Through the mouth of Mr. Marshall, the United States now say, in effect, to European countries which are short of dollars :—' You want more American goods and you are finding it difficult to buy them. Well, we are prepared to consider supplying you on credit with goods that are really needed to set you on your feet again. But you must not look to us alone. See first if you cannot get some of these things from one another. Go into this question thoroughly; and then come back and ask us for credits to buy the things which you can only get from us.'

This represents a very different, and according to my way of thinking, a much more helpful and sensible approach. We may fairly hope, I think, that the pursuit of this line of thought will eventually modify the *doctrinaire* disposition to insist on the sacro-sanctity of the principle of non-discrimination. From saying ' See first if you cannot get some of these things from one another ' it is only a short step to admitting the reasonableness of commercial arrangements which would encourage European countries to buy each other's products. American opinion has still to take this step. But there are signs that it is beginning to appreciate that the non-discriminatory obligations by which Great Britain is already bound entail anomalous consequences which are hurtful to us and not particularly helpful to the United States.

The British Problem.

For the time being, our British balance of payments difficulties, like those of other deficit countries, are mainly due to inadequate production. Our exports are kept down by our inability to spare more for export after meeting the demands of the home market. Our productivity is seriously impaired by bottlenecks and interruptions to continuous work, though in our case these spring mainly from the excessive strength of aggregate demand which depletes the materials and components in our industrial pipe-lines.

For this unsatisfactory state of things, the remedies must clearly be sought in the sphere of internal policy. We must strike more effectively than we have tried to do as yet at the excessive strength of aggregate demand

at home. The main instrument in my opinion for this purpose must be a budgetary policy of genuine austerity. We should also overhaul our mechanism of controls with a view to securing that, in so far as aggregate demand remains excessive, the impact of overall shortage is shifted from the processes of production, and concentrated, as it was during the war, on the ultimate consumer. It is along these lines, I believe, that internal policy can do most to close the gap in our balance of payments. For the time being, certainly, the internal problem governs the external. So long as we continue to live as a people beyond our means, as represented by our current production, an adverse balance of external payments is inevitable.

Compared with the large over-all external deficit due to low production, the non-discriminatory obligations of the Anglo-American Loan Agreement have hitherto been only minor nuisances. But they are nuisances which are becoming steadily more serious and more glaringly absurd. The obligations to which I refer are, of course, two; first to make convertible, which means in effect convertible into dollars, the sterling that accrues to any country from its current transactions; second, not to discriminate against imports from the United States in any import restrictions we impose. The convertibility obligation takes away any special incentive which countries which acquire sterling from a favourable trade balance with us might otherwise have to buy from us in return. But that is not all it does. If those countries are none too well supplied with dollars themselves, it gives them an incentive to *curtail* their purchases from us, in order to increase their supply of dollars. Indeed, this may well be one of the readiest means of acquiring dollars open to them. so long as the currencies of most other deficit countries are not similarly convertible. The Argentinian decision to cut the import of Scotch whisky is perhaps a portent, indicating that such reactions may be serious and far-reaching.

It may prove, I greatly fear, that by agreeing to resume convertibility, years before the Bretton Woods obligation to do so becomes generally operative (if it ever does), we have in effect set up a large notice-board reading: 'To Countries Short of Dollars: To obtain these, cut down your imports from Britain'. If so, we shall not be able to maintain convertibility for very long. It would be a profound mistake, however, to suppose that the remedy lies in trying to force premature convertibility on other deficit countries, many of which are even less able to afford it than we are ourselves.

We are also being given some object-lessons in the inconveniences and absurdities of the non-discriminatory obligation attaching to import restrictions. We have had to curtail the imports of periodicals and fiction from Australia, a step which may perhaps endanger the sale of British books in the Australian market. The only reason for this restriction is that we cannot afford the dollars for unrestricted imports of these publications from the United States. The Ministry of Food has announced that it is necessary to revoke the open licence for the import of fresh fruit and vegetables, and has indicated that it must cut imports of these things from soft currency as well

as from hard currency sources, citing our non-discriminatory obligation as its reason. We are trying to curtail the import of tobacco by taxation instead of by quantitative restrictions; but the same principle applies, and it is unfortunate that we should have to do something likely to discourage tobacco-growing in Rhodesia.

These are all ridiculous, though they should surely have been foreseeable, consequences of the non-discriminatory undertaking. They are minor nuisances at present; but they might easily become serious handicaps if we have to tighten up our import restriction programme. So far as it goes, therefore, it is encouraging that responsible American opinion should apparently be beginning to appreciate the absurdity of these arrangements. It has been rumoured that the British Government has recently approached the United States Administration with a view to securing some sort of waiver or modification of its undertaking. Mr. Clayton, the American Under-Secretary of State for economic affairs, referred to the matter at Geneva recently in the following terms :—

‘ Certain exceptions of a limited character were provided for in the loan agreement which could be made administratively, and these are now under consideration. But to make a complete exception would require an Act of Congress; and so far the United States has not been requested by Britain to undertake anything of the kind.’

There is nothing solid here on which to build. We must certainly not assume that we shall obtain a quick release from the more palpably onerous parts of our non-discriminatory undertakings. On the contrary, Mr. Clayton’s reference to the need for an Act of Congress points to a practical obstacle which might prove serious. This, by the way, should serve as a warning to us for the future not to give similar undertakings lightly, in the hope that if they work out badly for us, they can readily be modified later with the goodwill of all concerned. None the less, the consent of the United States is essential to any modification of our existing obligations, which as they now stand may aggravate our difficulties increasingly as time goes on. Mr. Clayton’s not unsympathetic attitude is therefore highly welcome.

An Appeal to Economists.

For the time being, indeed, there is little that we can do in the sphere of external, as distinct from internal, economic policy, except to work for a satisfactory European response to the Marshall speech, and to try to persuade the United States of the need to abate the rigours of the non-discrimination doctrine. Our Government is precluded by the promises it has given from pursuing any external economic policy which goes outside these limits. But though there is unusually little which the Government can do, despite the gravity of the problem, economists can do more to help than is usually possible. The power of the Administration to promote a new development of policy depends in the United States, more than it does here, on the movement of public opinion. On questions of this sort, the opinions expressed by

economists exert a considerable influence, indirect as well as direct, on public opinion at large, and the way in which British economists think and write and speak is not without its influence on the minds of American economists and publicists.

In the past, the line taken by those British economists who are keen supporters of the principles of Article 7, Bretton Woods, and I.T.O. has not, I think, been calculated to prepare American opinion for the modifications of policy that are now plainly desirable. It has not helped to open American minds to the good reasons which there have always been for fearing that, with large international disequilibria to be corrected, insistence on non-discrimination must aggravate the difficulties of deficit countries, and obstruct a return to equilibrium. On the contrary, it has tended to confirm Americans in the impression, which it is far more natural for them to entertain, that critics of non-discrimination must be inspired by deplorable motives.

Those who believe in the I.T.O. Approach will of course continue to argue for it, but I would appeal to them not to queer the national pitch by misrepresenting the point of view of those who differ from them. In particular, let them cease to arouse prejudice by attributing to their critics views which in fact no-one entertains on the following two matters:—

(1) the desirability and importance of an expansion in the volume of world trade

(2) the question of bilateralism versus multilateralism.

On the first point, British adherents of what may be conveniently described as the I.T.O. school of thought, are apt to argue as though all they need to do in order to establish their case is to show that it will be easier for us to balance our international account if the volume of world trade is large than if it is small. But this is common ground to them and their critics. The question is whether plans based on non-discrimination as the key principle are likely, in the conditions left behind by a second major war, to secure a large volume of international trade. This is not a question which should be begged as it is habitually begged by the I.T.O. school. The contention of their critics is that with large-scale disequilibria in the international balance of payments to be corrected, insistence on non-discrimination is likely to prove a contractionist influence of great potency. In support of this contention, they offer arguments which at least deserve an answer. They can also point to the lessons of experience—to the fact that the inter-war attempt to reconstruct a freely-working, non-discriminatory system, in conditions of large uncorrected disequilibria, led to the disasters of 1930–32; and to the restrictions now being imposed by Argentina and Sweden on imports from Great Britain.

On the second point, the words ‘bilateralism’ and ‘multilateralism’ are apt to be used loosely; indeed I do not think that any very precise significance can be attached to them. It is the contention of those whose opinions I share, that there is nothing improper in bilateral trade agreements between pairs of countries, providing for the purchase of certain specified minimum quan-

tities of each other's goods; and that such arrangements may have a useful, if rather modest, part to play in contributing an element of steadiness to the flow of international trade, and also in influencing this flow in the direction required for general equilibrium. At any rate, we are unwilling to condemn such arrangements out of hand, just as we are unwilling to outlaw regional preferential arrangements between groups of countries, or the preferential system within the British Commonwealth. Now such views do not imply a desire to work for a state of things in which there would always be a precise equation between imports and exports in the trade between each pair of countries, and in which no scope would be left for what used to be called triangular trade. It is not helpful to suggest to Americans that this is what the British critics of I.T.O. wish to bring about. If this is what bilateralism means, I have yet to meet a bilateralist.

As between Great Britain and the United States, it is manifest that we shall always need to buy from the United States goods to a much greater value than we are likely to earn from our exports to the American market. We shall always be ready and anxious to import from the United States to the full extent of the dollars we can earn, both directly and indirectly by exports to other markets; and so will the rest of the world. We cannot in the long run buy from her to a greater extent than that, without running indefinitely further into debt. The essential issue is whether we and other countries too should not be allowed to adopt an import policy designed to concentrate limited dollar resources on the things which it is especially important for us to obtain from the United States, buying other things as far as we can elsewhere. Surely this is very reasonable liberty to claim; liberty to pursue a course not unlike that which Mr. Marshall is now urging upon the peoples of Europe.

H. D. HENDERSON.

TABULAR APPENDIX

EDITORIAL NOTE

Tables comparing the broad trends of production, prices and wages, the volume of foreign trade and the supply of coal for a number of European countries, the United Kingdom and the U.S.A. are given below. For some countries more up-to-date figures are available than for others. These time lags will, it is hoped, be reduced in future and the tables will be extended when more information becomes available. The index numbers are based as far as possible on 1938.

Explanation of symbols :

- ... the figure is not available.
- () figures provisional or approximate.
- figure is negligible.

TABLE I

Industrial Production (or Employment)

Index numbers : 1938=100.

Index Numbers	1939	1945	1946	1947					
				Jan.	Feb.	Mar.	Apr.	May	
<i>Industrial Production</i> ¹									
U.S.A. ²	122	228	191	212	212	213	209	...	
France	...	46	81	89	87	87	88	...	
Belgium	105	38	88	104	94	100	...	...	
Netherlands	111	31	73	...	...	...	...	...	
Denmark	105	79	97	105	104	98	100	101	
Sweden	106	91	110	111	110	110	112	...	
Norway ²	107	69	100	109	119	114	115	...	
Finland ²	89	45	61	71	72	75	...	...	
Bulgaria	106	118	122	99	109	...	...	...	
Germany : ³									
British Zone	...	...	31	28	26	30	33	34	
American Zone	...	...	36	32	29	35	...	...	
<i>Industrial Employment</i>									
Switzerland ⁴	99	110	123	...	...	130	...	...	
Great Britain ⁵	100	102	99	104	...	103	103	103	

Sources : Official Statistics. For Belgium : Institut de Recherches Economiques et Sociales, Louvain ; for Sweden : Sveriges Industriförbund ; for Finland : Unitas ; for Germany : Control Commission (British Element).

¹ Mining and Manufacturing, except Denmark (manufacturing only), Finland (export industries) and Netherlands (mining, manufacturing and public utilities).

² Adjusted for seasonal variations.

³ 1936=100.

⁴ Wage earners employed in manufacturing and buildings. Quarterly figures.

⁵ Employment in manufacturing. June 1939=100.

TABLE II

Wholesale Prices¹

Index numbers : 1938=100.

Index Numbers				1939	1945	1946	Jan.	Feb.	1947 Mar.	Apr.	May
U.S.A.	a ²	...	...	98	134	154	180	183	190	186	187
U.K.	a	...	...	101	167	173	179	181	181	185	186
	b ³	...	...	91.5	138	142	148	149	149	153	154
France	a	...	...	105	375	648	867	882	850	837	946
	b	...	...	92	(275)	190	254	258	248	242	275
Holland	a	...	...	102	177	245	261	262	262	...	...
	b	...	...	99	(122)	169	179	180	180	...	...
Switzerland	a	...	...	104	206	201	204	205	206	207	207
	b	...	...	103	...	204	208	209	210	211	211
Sweden	a	...	...	103	173	168	175	175	176	177	178
	b	...	...	98	...	173	193	193	194	195	196
Denmark	a	...	...	105	190	188	200	201	200	202	204
	b	...	...	98	...	180	191	192	191	192	194
Norway	a	...	...	102	177	168	171	171	172	172	173
	b	...	...	97	...	138	140	140	141	141	142
Finland	a	...	...	106	386	605	635	640	669	675	...
Czechoslovakia	a	...	...	115	173	295	313	310	312	305	...
	b	...	...	114	...	170	181	179	180	176	...
Italy	a	...	...	...	...	...	3757	3898	4144	...	...

¹ Prices expressed in national currencies and in U.S. dollars at official rates.² a=in national currency.³ b=in U.S. currency.

TABLE III

Wages.

Index Numbers ¹				1939	1945	1946	Jan.	Feb.	1947 Mar.	Apr.	May
U.S.A. ²	...	...	...	101	163	173	184	186	188	189	...
United Kingdom ³	...	...	...	...	149	162	165	165	165	165	166
Switzerland ⁴	...	...	...	100	146	160	...	170	...	...	...
France ⁵	...	...	...	...	285	400	...	...	...	434	...
Netherlands ⁶	...	...	...	100	131	163	165	166	165	165	...
Czechoslovakia ⁷	...	...	...	100	182	301	301	301	301	301	...

¹ Base periods : U.S.A. and France : 1938=100 ; United Kingdom : September, 1939=100 ; Switzerland : Jan.-August, 1939=100 ; Netherlands : 1938-9=100 ; Czechoslovakia : March, 1939=100.² Average hourly earnings in manufacturing.³ Weekly wage rates ; Ministry of Labour (all industries).⁴ Hourly rates in industry ; quarterly figures.⁵ Hourly rates in Paris of unskilled workers in industry. The annual figures refer to October.⁶ Hourly rates in industry.⁷ Hourly rates in manufacturing.

TABLE IV
Foreign Trade
 Volume Index (Deflated Values : 1938=100)

Index Numbers				1939	1945	1946	1947				
							Jan.	Feb.	Mar.	Apr.	May
U.S.A.	Imports	...	...	115	129	147	166	126	124	...	...
	All Exports	...	...	105	184	190	233	239	272	...	...
U.K.	Imports	...	...	97	62	69	69	62	70	...	...
	Exports	...	...	94	46	99	112	92	98	97	103
France	Imports	...	...	88	34	112	97	112	122	120	...
	Exports	...	...	99	10	43	66	84	66	92	...
Switzerland	Imports	...	...	117	31	104	120	119	142	149	154
	Exports	...	...	96	57	101	103	102	119	109	111
Denmark	Imports	...	...	98	21	86	63	55	53	...	...
	Exports	...	...	101	32	60	69	41	44	...	...
Sweden	Imports	...	...	109	21	67	92	83	68	86	111
	Exports	...	...	106	56	78	81	43	51	72	76
Norway	Imports	...	...	111	46	78	114	110	129	135	...
	Exports	...	...	108	19	61	72	74	93	113	...

TABLE V
 COALMINING AND SUPPLIES

A. *Hard Coal. Output and Employment*
 Monthly figures or averages¹

	USA ²	U.K.	West Ger- many ³	France ⁴	Bel- gium	Hol- land	Pol- land	Czecho- slo- vakia
<i>Employment ('000)⁴</i>								
Av. 1946	...	699	235	313	158	34	182	55
1947 March	...	703	281	331	167	38	196	62
April	...	710	281	330	167	34	195	61
May	...	715	283	330	166	38	192	...
June	...	93 ^{1a}	283	328	163	34	192	...
June as % of 1935-38	...	...	89 ⁵	146	118	112	129	144 ⁶
<i>Output (Mill. m. tons)</i>								
Av. 1946	44.5	15.9	5.1	3.9	1.9	0.7	3.9	1.2
1947 March	54.5	19.5 ⁷	6.9	4.6	2.2	0.9	4.8	1.4
April	41.3	14.9	5.4	4.2	2.2	0.8	4.7	1.4
May	...	19.3 ⁷	6.0	4.0	2.1	0.8	4.5	...
June	...	19.6 ⁷	6.0	3.4	2.0	0.8	4.6	...
June as % of 1935-38	121 ⁸	88	53	88	84	75	91 ⁸	124 ⁶
<i>Output per manshift (tons)⁹</i>								
1947 March	...	1.05	0.96	0.62	0.59	1.01	1.17	1.10
April	...	1.03	0.90	0.60	0.60	0.99	1.21	1.10
May	...	1.08	0.89	...	0.59	0.98	1.20	...
May as % of 1935-38...	...	92	55 ¹⁰	71 ⁶	76	55	70	80

B. *Production of Lignite.*¹¹

Monthly figures or averages.

Thousand metric tons					Germany		Czechoslovakia
					West Zone	East Zone	
Average 1946	...	...	...	...	4,224	9,081	1,623
1947 January	...	...	...	...	4,510	8,708	1,835
February	...	...	...	...	4,450	7,520	1,677
March	...	...	...	...	4,934	7,903	1,893
April	...	...	...	...	4,435	...	1,869
May	...	...	...	...	4,401	...	...
May as % of 1935-37	...	...	...	...	92	...	137 ^a

C. *Total Imports of Solid Fuels including Bunkers (Ton for Ton)*

Monthly figures or averages.

Thousand metric tons					1947							June as % of 1935-38
					Average 1946	Jan.	Feb.	Mar.	Apr.	May	June	
France	...	...	...	...	867	725	627	912	1,020	1,347	1,396	70
Belgium	...	...	...	...	262	246	221	368	354	442	533	102
Holland	...	...	...	...	268	281	225	385	369	394	407	58
Luxembourg	...	...	...	...	154	155	139	150	169	182	193	76
Norway	...	...	...	...	157	135	112	170	148	268	345	135
Denmark	...	...	...	...	314	263	205	185	315	453	578	122
Sweden	...	...	...	...	287	261	108	100	220	453	577	88
Switzerland	...	...	...	...	128	170	127	192	160	204	206	76
Italy	...	...	...	...	471	350	568	505	642	792	822	75
Finland	...	...	...	...	68	59	9	5	8	91	167	115
Portugal	...	...	...	...	48	46	56	81	69	85	75	69

D. *Exports of Solid Fuels excluding Bunkers (Ton for Ton)*

Monthly figures or averages.

Thousand metric tons	Av. 1946	1947					May as % of 1935-38
		Jan.	Feb.	Mar.	Apr.	May	
U.S.A.	4,105	3,520	3,340	4,320	...	...	429 ¹²
Thereof to Europe	1,370	1,491	1,589	2,044	2,024	2,820	
U.K.	385	210	127	30	30	73	2
West Germany	1,089	659	500	953	754	921	32
Poland	1,277	1,546	1,044	770	1,480	2,122	...
Czechoslovakia	55	104	93	114	124	...	37 ⁶
France	32	42	41	35	34	53	53
Belgium	78	118	111	139	179	181	35
Holland	36	41	22	20	42	48	10

Source: European Coal Organization; United Nations, Monthly Bulletin of Statistics.

¹ Calendar months. ² Incl. a small quantity of lignite.

³ British and French zones (see also footnote 9).

⁴ Underground and surface workers, excluding office staff.

⁵ Against average 1935-37. ⁶ April 1947. ⁷ Five weeks.

⁸ April output 1947 compared with pre-war output in the territories now within Polish boundaries.

⁹ Overall. The figures for Germany refer to the British zone only

¹⁰ Eighty-one per cent in the French zone.

¹¹ Conversion rate for Germany: 9 units lignite=2 units coal; for Czechoslovakia: 17 units lignite=10 units coal.

¹² March. ¹³ May.